

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	BARBADOS
▪ TC Name:	Enhancing Sustainability Assets in the context of a Policy Based Guarantee (PBG)
▪ TC Number:	BA-T1086
▪ Team Leader/Members:	Doherty Bigara Rodriguez, Jennifer (CSD/CCS) Team Leader; Watson, Gregory (CSD/CCS) Alternate Team Leader; Blandin Andino, Lourdes Gabriela (CSD/CCS); Chakalall, Yuri (CSD/RND); Gomez, Juan Carlos (CSD/CCS); Juan Francisco Martinez Cotrino (CSD/CCS); Natalia Almeida (LEG/SGO); Palacios, Emilse Anabella (CSD/CCS); Patricia Gutierrez Mesones (CSD/CCS); Sara Carias (CSD/CCS); Sierra Gonzalez, Eduardo (IFD/CMF)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	BA-U0001
▪ Date of TC Abstract authorization:	24 Jan 2022.
▪ Beneficiary:	Barbados (Ministry of Finance, Economic Affairs, and Investment)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	NDC Pipeline Accelerator Multidonor Trust Fund(ACL); OC SDP Window 2 - Sustainability(W2A)
▪ IDB Funding Requested:	NDC Pipeline Accelerator Multidonor Trust Fund (ACL): US\$300,000.00 OC SDP Window 2 - Sustainability (W2A): US\$300,000.00 Total: US\$600,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (Execution):	36 months (36 months)
▪ Required start date:	September 2022
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	CSD/CCS-Climate Change
▪ Unit of Disbursement Responsibility:	CCB/CBA-Country Office Barbados
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability; Gender equality

II. Description of the Associated Loan/Guarantee

- II.1 As a vocal and committed country in the climate change arena, Barbados strives to bring the need for vulnerable Small Island Developing States (SIDS) to be at the center stage of international negotiations. The Government of Barbados ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 and ratified the Paris Agreement in 2016. In July 2021, presented its updated Nationally Determined Contribution (NDC) which significantly increased the ambition, including the aspirational goal to achieve a fossil-fuel-free economy and to reduce greenhouse gas (GHG) emissions across all sectors to as close to zero as possible by 2030 —specifically aiming for a 70% reduction in GHG emissions, economy-wide, by 2030. As for adaptation and resilience, the NDC presents a programmatic approach set by its Roofs to Reefs Program (R2RP), which is a holistic, integrated public

investment program founded on principles of sustainable development and climate change resilience. R2RP seeks to improve the standard of living and quality of life of the most vulnerable segments of the population of Barbados, by improving social well-being of individuals and communities and significantly reducing the damage to property, loss of life, and the costs incurred after a severe weather event, in key sectors such as: shelter, water, energy, waste, land use and ecosystems. On the latter, the government will assess social and gender impacts, and changes in vulnerability to enable an assessment of ecosystem-adaptation based methodologies and cost recovery models.

- II.2 Barbados has an ambitious [National Biodiversity Strategy and Action Plan](#) (NBSAP) to meet its commitments under the Convention on Biological Diversity, revised in 2020 with targets for 2035. Several NBSAP targets are directly related to marine conservation, including: Target 3: By 2035, the rate of loss of all of Barbados' natural habitats, including forests, will be decreased; Target 4: By 2030, areas under agriculture, aquaculture and forestry are managed sustainably, ensuring conservation of biodiversity; Target 5: By 2030, pollution, including from excess nutrients, has been brought to levels that are not detrimental to ecosystem function and biodiversity; Target 7: By 2030, sources of endogenous anthropogenic pressures on coral reefs (e.g., excess nutrients, anchor damage, overfishing inter alia) are identified and effects minimized to maintain the integrity and functioning of coral reefs; Target 8: By 2030, at least 17% of terrestrial and inland water, and 10% of coastal and marine areas, especially areas of particular importance for biodiversity and ecosystem services, are designated within connected systems of protected areas, and plans for effective area-based conservation measures are being developed; Target 9: By 2030, pressures on known threatened species have been identified and mitigated, and conservation status has been improved; and, Target 12: By 2025, at the latest, financial resources to conduct projects and research in the area of biodiversity should increase substantially. In 2022 the Convention on Biological Diversity will meet to set new international targets in a Global Biodiversity Framework at the Biodiversity Conference of the Parties (COP 15) in Kunming, China. It is expected that issues related to natural capital finance and conservation will be at the forefront of the conversation.
- II.3 Since 2018, Barbados has carried out an ambitious fiscal consolidation plan —the Barbados Economic Recovery and Transformation Plan (BERT), supported by the International Monetary Fund (IMF) under the Extended Fund Facility (EFF). The country has been facing years of slow growth and recurring fiscal deficits that fueled an increase in its debt-to-Gross Domestic Product (GDP) level growth, a context that has also been depressed by the pandemic, a Category 1 hurricane (Elsa), the ashes from the St Lucy volcano. Nonetheless, the IMF has recognized positive signs of recovery through the increase of tourism, expansion of social protection investment, plans to recapitalize the Central Bank of Barbados and commitments to address medium and long-term challenges for the National Insurance Scheme (NIS). Most importantly, the recent global Special Drawing Rights (SDR) allocation (August 2021), included an allocation of US\$129 million to Barbados which represented an increase of international reserves to more than US\$1.4 billion.
- II.4 Finally, the mitigation measures for an energy transition are aligned with the fiscal consolidation program. Barbados is reliant on fossil fuel imports which represent 24.1 percent of imports. This challenge has shaped the basis for its National Energy Policy (BNEP) 2019-2030 (Ministry of Energy, Small Business and Entrepreneurship, 2019), which aims at achieving 100 percent renewable energy and carbon neutrality by 2030.

Additionally, through the R2RP, protocols and standards for rooftop solar Photovoltaic (PV) installation will be developed and will include energy storage options. Collection of data will include energy storage. Nonetheless, taxes on fossil fuels currently comprise 2.33 percent of GDP, and therefore any reform will require the identification of additional sources of revenue.

- II.5 In this context, Barbados has paved the way for a sustainable development, launching the Blue Economy Roadmap which is an integrated Blue Economy policy framework and strategic action plan started with pivotal incremental steps, which included: (i) the creation of the first ever ministry dedicated to the development of the Blue Economy; (ii) the development of an overarching development vision —the Roofs to Reefs Program— in which the tenets of the Blue Economy are embedded; and (iii) the updated Barbados' NDC under the obligations of the Paris Agreement on Climate Change, where the Debt for Nature Swap is included and is linked to the establishment of a conservation trust fund, and a flagship example to draw the linkage between reducing a country's debt and protecting its environment. In addition, 30% of Barbados' EEZ would be dedicated to conservation as a Marine Managed Area (MMA). In that sense, the IDB seeks to pursue its support by the provision of a guarantee that will enable the emission of sustainable bonds for sustainability objectives to improve the country's debt management.
- II.6 For this purpose, providing support to Barbados to set up a debt-for-nature transaction will allow to allocate savings from this debt for nature conversion into a trust fund intended to enhance sustainability policies or projects while freeing up resources.¹ Nonetheless, these mechanisms require concerted efforts from various actors in the government and specific assessments to ensure their viability and successful implementation, such as: (i) robust pre-feasibility studies; (ii) strong fiscal capacity; (iii) commitment to transparency; and (iv) international credibility of the domestic spending and expenditure programme.

III. Objectives and Justification of the TC

- III.1 The resources of this TC will support the Government of Barbados in the milestones to be achieved under the Policy Based Guarantee (PBG) BA-U0001, which general development objective is to strengthen environmental sustainability in Barbados, through the: (i) strengthening the institutional framework to support sustainable finance and adequate natural resource management; and (ii) improvement of the debt management capacity with a focus on environmental and financial sustainability. This PBG is under preparation, and it is estimated that it will be approved by the IDB's Board of Executive Directors in 2022. A key aspect of BA-U0001 relies on the steps towards the attainment of the marine protected milestones in the following years. This TC will strengthen the Government of Barbados' capacities to ensure it has the human and financial resources as they build their teams and develop the required science-based analysis.
- III.2 This work will be complemented by the technical cooperation operations led by the IDB, such as ATN/OC-18247-RG *Natural Capital Lab: Mainstreaming Biodiversity and Financial Innovation*, ATN/OC-18428-CH *Support to Chile's Efforts to Promote Innovation in the Biodiversity Agenda*, and ATN/OC-19091-AR *Innovative Financial Instruments for Biodiversity Conservation and Climate Action*, all of which include

¹ <https://www.oecd.org/environment>.

specific support to the creation of conservation trust funds, and the development of innovative financial products for conservation.

III.3 The present operation is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenges of: (i) *productivity and innovation*, as it intends to foster low carbon and resilient investments, while enhancing sustainable oriented debt management; and (ii) *institutional capacity and the rule of law*, as it enables the Government of Barbados to mainstream climate and nature priorities into their national planning and investment processes. The operation is also aligned with the cross-cutting theme of *climate change and environmental sustainability*, since it provides Barbados with means to expand the ambition of its NDC, as well as with innovative instruments to finance climate change related measures. This TC is also aligned with the IDB's *Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy* (GN-2609-1) and its *Action Plan* (GN-2609-3) and the forthcoming draft of the Action Plan for Mainstreaming Biodiversity and Natural Capital. Additionally, the operation responds to the objectives of the Ordinary Capital Strategic Development Program for Sustainability as it contributes to expand the knowledge base on climate change, particularly through institutional capacities strengthening. The operation will contribute towards the goal of the Ninth General Capital Increase of the IDB (GCI-9), that establishes that 30% of its lending should include climate considerations, under the Bahamas Declaration, as it enables different mechanisms for climate change mainstreaming.

III.4 Additionally, the TC is aligned with the NDC Pipeline Accelerator Multi-Donor Trust Fund (ACL) (GN-2890), specifically with the Eligibility Criteria reflected as following: a) support the preparation of BA-U0001, b) Directly linked to the country's NDC as supporting the debt for nature transaction included as a target, c) paragraph 2.9.c. "*Target mobilization of private and/or public capital towards sustainable projects aligned with the country priorities*" as it will support the implementation of the PBG BA-U0001, which will allow for savings under a bond issuance, that will be allocated under the Barbados Environmental Sustainability Fund (BESF) and d) make a tangible and measurable contribution to climate change objectives, by promoting efforts to address climate vulnerabilities by incorporating adaptation or resilience measures, through the conservation commitments of Marine Protected Areas (MPAs). Finally, the operation is aligned with the W2A Eligibility Criteria (GN-2878-14) as it fosters adaptation to climate impacts, supports healthy and functioning ecosystems, and promotes the sustainable use and development of land, coastal and ocean areas.

IV. Description of Activities/Components and Budget

IV.1 **Component 1. Design and framing the Trust Fund and PBG (US\$500,000).** Robust and high-functioning conservation trust funds are vital for the successful operation of debt-for nature instruments. This component will finance the following requirements for robust and effective Trust Fund governance and operation: (i) advisory services from an experienced consultant that will be dedicated to the Government of Barbados in the BESF and Marine Spatial Planning (MSP) process; (ii) the hiring of consultants to support the Government of Barbados in the MSP process; (iii) a consultancy to provide a draft for an ocean policy; (iv) social and economic assessment of the uses of coastal ecosystems in Barbados, including a gender focus approach; (v) stakeholder engagement require under the MSP process, considering women

participation; and (vi) training for trust board members and staff on trust fund governance and operation.

IV.2 **Component 2. Implementation and monitoring, reporting and verification (MRV) system for robust governance (US\$50,000).** The institutional arrangements and tools required to ensure a proper execution of sustainability investments and their monitoring is crucial to consolidate the Trust in the debt for nature transaction. For this purpose, this component will finance: i) the development of an MRV system aligned to the objective of the Trust Fund, and identify the indicators, and respective baselines

IV.3 **Component 3. A toolbox for a resilient focus in the Ministry of Finance, Economic Affairs, and Investment (US\$50,000).** The Government of Barbados is building a stronger climate and nature agenda in the Ministry and will require specific resources to assess the necessary tools to continue mainstreaming sustainability and biodiversity considerations in the planning and budgeting processes. From budget green tagging to the identification of green taxes and green reforms, the resources of this component will allow the financing of a green methodology to track climate finance and natural capital accounts, and the development of the material needed to train the teams to implement the proposed recommendations.

IV.4 **Budget.** The total amount of this operation is US\$600,000, which will be financed with resources from the NDC Pipeline Accelerator Multi-donor Trust Fund (ACL) (\$300,000), and the OC-SDP Window 2 – Sustainability (W2A) (\$300,000).

Indicative Budget (US\$)

Activity/Component Description	NDC Pipeline Accelerator Multidonor Trust Fund	OC SDP Window 2 – Sustainability (W2A)	Total
Component 1. Design and framing the Trust Fund and PBG	300,000	200,000	500,000
Component 2. Implementation and MRV system for robust governance	0	50,000	50,000
Component 3. A toolbox for a resilient focus in the Ministry of Finance	0	50,000	50,000
Total	300,000	300,000	600,000

V. Executing Agency and Execution Structure

V.1 The IDB will act as the executing agency due to its ability to leverage its extensive network of internal and external subject-matter experts and well-established relationships with stakeholders involved. The IDB Country Office in Barbados will be responsible for the supervision and implementation of the resources, in close collaboration and coordination with CCB, the divisions and specialists involved in the PBG. The Unit of Disbursement Responsibility in be in the IDB's Country Office in Barbados.

V.2 As requested by the Government of Barbados, this TC will be executed by the IDB, through the Climate Change Specialist of the IDB Country Office in Barbados, which will be responsible for the operation's supervision, disbursements, and procurement. Such structure will allow the Government of Barbados to benefit from the IDB's technical support and supervision and will allow for a timely execution. In addition, the Climate Change Division will coordinate with other IDB departments. In accordance with the Annex II of the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4), impartiality is also one of the reasons for

which the Government of Barbados has requested that the Bank would enhance independence, as key environmental studies will be developed under this TC.

- V.3 The Bank will follow its procurement policies and guidelines related to contracting processes: (i) individual consultants will be hired according to the guidelines established in policy AM-650; (ii) consulting firms of an intellectual nature will be hired according to the “Policy for the selection and contracting of consulting firms for operational work carried out by the Bank” (GN-2765-4) and its Operational Guides (OP-1155-4); and (iii) other non-consulting services in accordance with the “IDB Institutional Procurement Policy” (GN-2303-28).
- V.4 The TC will use single source methodologies in two instances based on “unique qualification and experience of exceptional worth” as well as “natural continuation of previous work” justifications aligned to GN-2765 (section IV paragraph A.4.1.3).

VI. Major Issues

- VI.1 The Government of Barbados remains severely affected by the consequences of the coronavirus pandemic and currently faces several urgent challenges, which may hinder their capacity to address the requirements needed under the development of the PBG and this TC. Nonetheless the Government of Barbados has underlined the priority and urgency to emit a bond to allow for a more sustainable management of their debt, on both the financial and environmental terms, which allows us to confidently consider their highest levels of commitment during the design and implementation of this operation and concomitant operations.

VII. Exceptions to Bank policy

- VII.1 No exceptions to Bank policy have been identified for this operation.

VIII. Environmental and Social Strategy

- VIII.1 This TC will not finance feasibility or pre-feasibility studies of investment projects with associated environmental and social studies; therefore, it is excluded from the scope of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes

[Request from the Client - BA-T1086](#)

[Results Matrix - BA-T1086](#)

[Terms of Reference - BA-T1086](#)

[Procurement Plan - BA-T1086](#)